

Message Text

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67

ACTION IO-11

INFO OCT-01 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06

AGR-05 AID-05 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CIEP-01 CEA-01

AF-06 ARA-06 EA-07 EUR-12 NEA-10 /106 W

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E.O. 11652: N/A

TAGS: UNCTAD

SUBJECT: UNCTAD TDB: MEETINGS OF CONTACT SUBGROUP II-
FAIANCE AND DEBT

REF: GENEVA 1892

SUMMARY: SUBGROUP 2 COMPLETED DISCUSSIONS MONDAY. CHAIRMAN
PREPARED SATISFACTORY DRAFT REPORT. G-77 BELIEVED TO BE PRO-
POSING EXTENSIVE CHANGES IN CHAIRMAN'S DRAFT. END SUMMARY.

1. AT 3/12 MEETING OF CONTACT SUBGROUP II ON FINANCE AND DEBT
G-77 SPOKESMAN (OREIBI, LIBYA) ATTEMPTED TO REFUTE ALL ARGU-
MENTS PRESENTED BY M. BLANC (REFTEL). POINTS MOST STRESSED BY
G-77 SPOKESMAN AND REINFORCED BY FORCEFUL INTERVENTIONS BY
MARTINEZ (ARGENTINA) AND WALKER (JAMAICA) WERE: (A) INSISTENCE
THAT AN EQUITABLE GENERAL AMELIORATION OF DEBT PAYMENT LIABIL-
ITIES WOULD AFFECT LDC CREDIT FAVORABLY, NOT UNDERMINE IT AS
GROUP B ARGUED, AND (B) AN LDC SEEKING DEBT RELIEF IN CASE BY
CASE APPROACH IS POLITICALLY AT A DISADVANTAGE--IT IS CONFRONTED
BY A GROUP OF RELATIVELY POWERFUL NATIONS AND IS OFTEN
SUBJECT TO POLITICAL PRESSURE ON UNRELATED POLICIES BY
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ONE OR MORE OF MAJOR CREDITORS AS A CONDITION FOR FAVOR-

ABLE ACTION.

2. THE SECRETARIAT (ARSENIS) IN RESPONSE TO QUESTION ON STATUS OF CONSULTATIONS WITH CREDITOR AND DEBTOR COUNTRIES REQUESTED BY SEVENTH SESSION OF CIFT, INDICATED THAT CONSULTATIONS HAD NOT GIVEN CLEAR DIRECTION ON HOW TO PROCEED AND CONCLUDED THAT FURTHER MEETING "LIKE THIS ONE" MIGHT BE BEST BET. HE SUGGESTED AN INFORMAL MEETING BETWEEN NOW AND UNCTAD IV. (THERE WAS NO SUPPORT FOR THIS SUGGESTION IN SUBSEQUENT DISCUSSION.)

3. IN TWO SESSIONS ON 15 MARCH SUBGROUP COMPLETED DISCUSSIONS OF SECTION FOUR OF MANILA PROGRAMME OF ACTION. GROUP B SPOKESMAN, M. BLANC, COMMENTED ON ALL MAJOR ITEMS OF MANILA DOCUMENT.

4. ON ODA FLOWS HE INDICATED ALL AGREE ON IMPORTANCE OF INCREASE IN ODA BUT MEMBERS ATTITUDES VARY TOWARD 0.7 PCT TARGET, SOME HAVE ALREADY REACHED IT, SOME HOPE TO DO SO WITHIN A FEW YEARS, AND OTHER HAVE NO PROSPECT OF DOING SO IN FORESEEABLE FUTURE. THE IDEAS OF A DEVELOPMENT TAX AND INTEREST SUBSIDY AS DEVICES TO FACILITATE INCREASING FLOWS WERE OF POSSIBLE INTEREST, BUT THAT IS UP TO EACH COUNTRY. IT IS PREMATURE TO TIGHTEN OR REFINE THE TARGET. E.G., TO A NET TRANSFER BASIS UNTIL THE DEVELOPED COUNTRIES GENERALLY ARE NEARER TO MEETING TARGET AS PRESENTLY DEFINED. FUNDING FOR IFIS IS INDEED IMPORTANT. PROLIFERATION OF INSTITUTIONS UNDESIRABLE WHEN RESULT IS MERELY TO SPREAD SCARCE FUNDS THINNER. CAPITAL MARKET CONDITIONS VARY CONSIDERABLY AMONG DEVELOPED COUNTRIES WHICH AFFECTS LDC ACCESS BUT GENERAL PROBLEM IS BEING STUDIED BY DEVELOPMENT COMMITTEE.

5. ON LIBERALIZATION OF IMF B/P SUPPORT HE NOTED GENERALLY THAT PROGRESS ON ALL POINTS SUGGESTED BY G-77 WAS MADE AT JAMAICA AND THAT IT IS TOO SOON TO ASSESS ADEQUACY.

6. ON GENERAL REFORM OF WORLD MONETARY SYSTEM HE SUGGESTED NO EARLY FINAL SOLUTION SEEMS FEASIBLE. NOTED THAT IMF IS OPEN TO ALL WHO WILL UNDERTAKE RESPONSIBILITIES. LIMITED OFFICIAL USE

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DEVELOPED COUNTRIES POSTURE ON SDR LINK VARY BUT ISSUE CURRENTLY ACADEMIC AS ALL AGREE THAT NO EXPANSION WARRANTED IN NEAR FUTURE. THE CURRENT MOMENT IS NOT RIPE FOR ESTABLISHMENT OF STABLE FIXED EXCHANGE RATE SYSTEM THOUGH MOST WOULD AGREE ON THE OBJECTIVE.

7. GROUP D SPOKESMAN SAID THAT SECURITY COUNCIL MEMBERS SHOULD ADOPT RUSSIAN PROPOSAL TO REDUCE DEFENSE EXPENDI-

TURES BY TEN PERCENT TO MAKE POSSIBLE MORE ODA. HE SAID BRENTON WOODS INSTITUTIONS HAVE COLLAPSED AND THAT DETENTE MAKES POSSIBLE CREATION OF TRURE WORLD MONETARY SYSTEM. UNCTAD SHOULD BE FORUM FOR BUILDING IT.

8. CHINA ENDORSED ALL THE JUST DEMANDS OF G-77. EM-PHASIZED THAT AID SHOULD BE FREE OF ALL STRINGS. STRESSED THAT GROUP D SHOULD CANCEL ALL DEBT CLAIMS IF SERIOUS IN ITS PROTESTATIONS OF SUPPORT FOR LDCS.

9. AMBASSADOR MARTINEZ (ARGENTINA) INTERVENED SEVERAL TIMES STRESSING (A) THAT IMF SYSTEM SHOULD BE MORE SYM-METRICAL AND PUT CONDITIONS ON SURPLUS COUNTRIES SIMILAR TO THOSE APPLIED TO DEFICIT COUNTRIES AND (B) TO INQUIRE WHY DEVELOPED COUNTRIES COULDN'T PROVIDE EXTENSIVE GUARANTEES TO PERMIT FUNDING OF LDC COMMERCIAL DEBTS WHEN THEY SEEMED TO BE ABLE TO DO IT FOR OTHER DEVELOPED COUNTRIES QUITE READILY.

10. PROPOSALS MOST EMPHASIZED BY G-77, OTHER THAN DEBT, WERE THOSE TO EXPAND IMF COMPENSATORY FINANCE FACILITY, APPLY CFF TO EXCESS IMPORT COSTS AS WELL AS EXPORT SHORT-FALLS AND INCREASE RADICALLY IMF'S CONDITION-FREE FIRST TRANCHE. SUCH MEASURES NEEDED TO MEET URGENT LDC B/P NEEDS THEY ESTIMATE AT \$38 BILLION FOR 1976. PRIVATE FUNDING IS NOT SATISFACTORY BECAUSE LIMITS BEING REACHED, EXCESSIVE CONDITIONS BEING APPLIED AND TERMS TOO SHORT. POST-JAMAICA IMF INADEQUATE BECAUSE REQUIRES INAPPROPRIATE CONDITIONS BEYOND FIRST TRANCHE AND CFF LIMITED BY QUOTA SIZE AND DOES NOT HELP WITH EXCESS IMPORT COSTS.

11. CONTACT SUBGROUP DISCUSSION CONCLUDED 20:30 MONDAY.

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12. CHAIRMAN (TSCHERNING, SWEDEN) PRODUCED DRAFT REPORT WHICH WAS CONSIDERED BY GROUP B WORKING PARTY TUESDAY PM. DRAFT PRESENTED NO SERIOUS PROBLEMS. LIMITED AREAS OF AGREEMENT WERE STATED IN GENERAL TERMS, I.E., IMPORTANCE OF DEBT QUESTION, DEVELOPED COUNTRIES SHOULD MAKE EFFORT TO INCREASE ODA, IMPORTANT THAT LDCS BE ABLE TO FINANCE B/P DEFICITS APPROPRIATELY TO AVOID DISRUPTING DEVELOPMENT, AND INTERNATIONAL MONETARY DECISIONS SHOULD BE TAKEN WITH DUE CONSIDERATION OF TRADE AND DEVELOPMENT IMPACT AND WITH FULL PARTICIPATION BY ALL INTERESTED COUNTRIES. BEYOND THAT IT MERELY INDICATES WHAT SUBJECTS WERE DISCUSSED, USING PHRASES SUCH AS "QUESTIONS AROSE, ISSUES REQUIRE FURTHER CONSIDERATION, ISSUES ARE OF IMPORTANCE, VIEWS WERE EXCHANGED, ETC." ONLY SPECIFIC CONCLUSION WAS THAT DECISION ON WEHTHER TO HOLD DEBTOR/

CREDITOR CONFERENCE SHOULD NOT BE MADE UNLESS BASIS
ESTABLISHED AT UNCTAD IV.

13. LATER TUESDAY G-77 INDICATED EXTENSIVE REVISION OF
DRAFT REPORT WAS NEEDED AND ASKED TO MEET WEDNESDAY WITH
SUBGROUP CHAIRMAN AND GROUP SPOKESMAN TO CONSIDER REVISIONS.
EXPECT GROUP B SPOKESMAN WILL HOLD MEETING WITH
GROUP B LATER WEDNESDAY TO CONSIDER G-77 PROPOSED CHANGES
AND NEXT STEPS. DALE

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